Twenty-first Annual Report

CAROLINA, CLINCHFIELD AND OHIO RAILWAY

FOR THE YEAR ENDED
December 31, 1931

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CAROLINA, CLINCHFIELD AND OHIO RAILWAY

BOARD OF DIRECTORS

JOHN B. DENNIS, *Chairman*	New York, N. Y.
EDWARD C. BAILLY	New York, N. Y.
M. N. BUCKNER	New York, N. Y.
T. J. CUNNINGHAM	New York, N. Y.
N. S. MELDRUM	New York, N. Y.
W. W. MILLER	New York, N. Y.
J. W. PLESS	Asheville, N. C.
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WARREN P. EATON	*Ass't Sec'y & Ass't Treas.*
JOHN W. SANDERS	*Ass't Sec'y & Ass't Treas.*

HORNBLOWER, MILLER, MILLER & BOSTON — *General Counsel*

NEW YORK OFFICE — 452 Fifth Avenue

Stock Transfer Agent
and
Dividend Disbursing Agent

THE NEW YORK TRUST COMPANY
100 Broadway, New York.

Stock Registrar

BANKERS TRUST COMPANY
16 Wall Street, New York.

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TWENTY-FIRST ANNUAL REPORT

NEW YORK, April 1, 1932.

To the Stockholders of

CAROLINA, CLINCHFIELD AND OHIO RAILWAY:

The Twenty-first Annual Report of the Board of Directors, for the year ended December 31, 1931, is submitted herewith:

Under an indenture dated October 16, 1924, the properties of Carolina, Clinchfield and Ohio Railway and its subsidiaries were leased to Atlantic Coast Line Railroad Company and Louisville & Nashville Railroad Company for a period of 999 years from May 11, 1923, at an annual money rental as follows:

3% on $25,000,000 Capital Stock, or $750,000 annually, for three years from January 1, 1925.

4% on $25,000,000 Capital Stock, or $1,000,000 annually, for ten years from January 1, 1928.

5% on $25,000,000 Capital Stock, or $1,250,000 annually, from January 1, 1938, to May 10, 2922.

In addition to the foregoing money rental, the Lessees agree to pay the interest charges on the outstanding funded debt of and guaranteed by the Carolina, Clinchfield and Ohio Railway and on any bonds that may be issued to refund the same.

The Lease also provides that the Lessees will pay all charges and other expenses in connection with the payment of interest, shall pay all taxes upon the franchises and leased property and the income thereof, and shall also pay a sum equal to the annual corporate expenses of the Lessors not in excess of $12,000 per annum. All rental payments under the Lease are the joint and several obligations of the Atlantic Coast Line Railroad Company and the Louisville & Nashville Railroad Company.

The Lease expressly provides that in case of the issuance of any additional capital stock of the Railway, it shall be stock of a class which has no right to participate in any dividends declared from the money rentals above mentioned, which money rentals have been fixed at the amount specified for the purpose of enabling the Railway to pay dividends upon the $25,000,000 par value capital stock at the rates and for the periods above mentioned, and are not intended to be used for any other purposes whatsoever. In consideration of these money rentals, the stockholder agrees with the Lessees that he will vote his stock in such manner as is necessary to carry out the provisions of the Lease from time to time.

The payment of the above-mentioned annual money rental is to be made in equal quarterly instalments beginning April 1, 1925, to enable the Lessor to pay dividends upon its $25,000,000 capital stock at the rates specified.

Possession of the leased properties was delivered to the Lessees on December 1, 1924, and the first payment of the money rental under the Lease was made to the Lessors on April 1, 1925. On April 10, 1925, the first dividend of 75 cents per share, payable out of said money rental, was paid by this Company to the record holders of the $25,000,000 par value of outstanding capital stock.

The making of the aforesaid Lease was authorized by the Interstate Commerce Commission on June 3, 1924 (Finance Docket No. 3131).

We continue to summarize the conditions and circumstances of the joint Lease for the convenience of the stockholders and in response to inquiries that we from time to time receive.

DIVIDENDS

By resolution of the Board of Directors, March 12, 1925, dividends were declared on the $25,000,000 par value of outstanding common stock of Carolina, Clinchfield and Ohio Railway, payable out of the aforementioned money rentals, when received from the Lessees, at the following rates and for the following periods, to wit:

For the period beginning January 1, 1925, and ending December 31, 1927, at the rate of 3% per annum, payable in equal quarterly instalments of ¾ of 1% each.

For the period beginning January 1, 1928, and ending December 31, 1937, at the rate of 4% per annum, payable in equal quarterly instalments of 1% each.

For the period beginning January 1, 1938, and ending March 31, 2922, at the rate of 5% per annum, payable in equal quarterly instalments of 1¼% each.

Said dividends are payable on the 10th days of January, April, July and October in each year to stockholders of record at the close of business on the last days of the months preceding.

FINANCIAL

Two noninterest-bearing notes, aggregating $929,486.79, dated January 1, 1931, maturing December 29, 1932, were issued to Atlantic Coast Line Railroad Company and Louisville and Nashville Railroad Company, Lessees, as evidence of indebtedness for advances made by said Lessees to provide for the payment of certain equipment trust obligations matured from November 1, 1926, to and including October 1, 1930.

Submitted as a part of this report are a statement of mileage, a summary of the operation of the leased properties, a copy of the consolidated balance sheet and a statement of the funded debt and equipment obligations.

For the Board of Directors,

JOHN B. DENNIS,

President.

MILEAGE

The mileage owned by Carolina, Clinchfield and Ohio Railway and its subsidiaries, Carolina, Clinchfield and Ohio Railway of South Carolina and Clinchfield Northern Railway of Kentucky, is as follows:

		Miles
Carolina, Clinchfield and Ohio Railway:		
Main line:	Ky.-Va. State Line to N. C.-S. C. State Line....	255.97
Branch lines:	Carbo, Va., to Wilder, Va.....	8.40
	Hurricane Junction, Va., to Shaft, Va.....	1.20
	Bostic Yard, N. C., to Junction S. A. L. Ry.	.79
Carolina, Clinchfield and Ohio Railway of South Carolina:		
Main line:	N. C.-S. C. State Line to Spartanburg, S. C.....	18.09
Clinchfield Northern Railway of Kentucky:		
Main line:	Elkhorn City, Ky., to Ky.-Va. State Line.....	2.79
	Total.....	287.24

The foregoing mileage since December 1, 1924, has been operated by the said Lessees under the name of "Clinchfield Railroad Company.".

In addition to the foregoing mileage, the Lessees also operate the following mileage under trackage rights formerly held by Carolina, Clinchfield and Ohio Railway:

Norfolk & Western Railway, Carbo, Va., to St. Paul, Va.....	8.45
Southern Railway, Frisco., Tenn., to Albert Yard, Va.....	13.60
Total.....	22.05

This makes the total mileage operated by the Lessees, under the Lease, 309.29 miles.

RESULTS OF OPERATION BY LESSEES

The following is a summary of the results of operation of the leased properties, for the year ended December 31, 1931, as reported by the Lessees:

Operating revenues		$5,410,192.02
Operating expenses		3,530,508.63
Net revenue from railway operations		1,879,683.39
Railway tax accruals	$746,000.00	
Uncollectible railway revenues	132.16	
		746,132.16
Railway operating income		1,133,551.23
Equipment rents	$340,881.58	
Joint facility rents *Dr.*	*14,362.78*	
		326,518.80
Net railway operating income		1,460,070.03
Non-operating income		72,767.59
Gross income		1,532,837.62
Deductions from gross income:		
Lessor's fixed charges	$1,474,713.73	
Dividend rental	1,000,000.00	
Miscellaneous rental	20,522.14	
Total rental under Lease	2,495,235.87	
Other deductions	44,822.82	2,540,058.69
Deficit		*$1,007,221.07*

CAROLINA, CLINCHFIELD AND OHIO RAILWAY

(Including Subsidiary Lines, C. C. & O. Ry. of S. C. and Clinchfield Northern Ry. of Kentucky)

CONSOLIDATED GENERAL BALANCE SHEET

DECEMBER 31, 1931

ASSETS

Investment in road and equipment	$71,558,719.88
Deposits in lieu of mortgaged property sold	114,730.90
Cash	1,440.34
Rents receivable	250,000.00
Working fund advances	78.50
Other deferred assets	5,850,250.57
Total	$77,775,220.19

LIABILITIES

Capital stock	$25,000,000.00
Funded debt	25,462,000.00
Equipment trust obligations	1,981,000.00
Other obligations	929,486.79
Unmatured dividends declared	250,000.00
Other deferred liabilities	955,502.39
Accrued depreciation—equipment	2,960,292.32
Additions to property through income and surplus	70,809.30
Profit and loss—Credit balance	20,166,129.39
Total	$77,775,220.19

STATEMENT OF FUNDED DEBT AND EQUIPMENT OBLIGATIONS

DECEMBER 31, 1931

Name of Security	Amount Outstanding	Date of Maturity	Rate Per Annum	Date Payable
First Mortgage 30-Year Gold Bonds .....(1)	$13,950,000	June 1, 1938	5%	June and December
First and Consolidated Mortgage Gold Bonds, Series A.	8,000,000	Dec. 15, 1952	6%	June 15 and Dec. 15
First and Consolidated Mortgage Gold Bonds, Series B.	3,317,000	April 1, 1956	5%	April and October
L. C. & L. E. R. R. Co. First Mortgage Gold Bonds. (2)	200,000	Jan. 1, 1933	5%	January and July
Equipment Trust Notes, No. 11 (Equipment allocated by U. S. Government).....	1,656,000	$414,000 matures annually, Jan. 15	6%	Jan. 15 and July 15
Equipment Trust Certificates, Series H	75,000	$25,000 matures Mar. 15 and Sept. 15	5½%	Mar. 15 and Sept. 15
Equipment Trust Certificates, Series I	250,000	$50,000 matures June 1 and Dec. 1	5%	June and December
Total	$27,448,000	.....		

(1) Does not include $1,050,000 held in treasury.

(2) Includes $5,000 owned by Carolina, Clinchfield and Ohio Railway.